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United Nations Conference on Trade and Development

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Trade and Development Board
Sixty-first executive session
Geneva, 24–26 June 2015
Item 1 of the provisional agenda
Adoption of the agenda and organization of work

Provisional agenda and annotations*

I. Provisional agenda

1. Adoption of the agenda and organization of work.
2. Activities undertaken by UNCTAD in support of Africa.
3. Matters requiring action by the Trade and Development Board arising from or related to reports and activities of its subsidiary bodies:
   (a) Report of the Working Party on the Strategic Framework and Programme Budget;
   (b) Report of the Investment, Enterprise and Development Commission;
   (c) Report of the Trade and Development Commission.
4. Preparatory process for the fourteenth session of the Conference.
5. Designation of non-governmental organizations for the purposes of rule 77 of the rules of procedure of the Trade and Development Board.
6. Other business.
7. Report of the Trade and Development Board on its sixty-first executive session.

II. Annotations to the provisional agenda

Item 1
Adoption of the agenda and organization of work

1. The provisional agenda for the session is reproduced above.

* This document was submitted on the above-mentioned date as UNCTAD member States formally approved the provisional agenda on 30 April 2015.

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Documentation

TD/B/EX(61)/1	Provisional agenda and annotations

Item 2
Activities undertaken by UNCTAD in support of Africa

2. A report on UNCTAD's activities in support of Africa is prepared every year and presented to an executive session of the Trade and Development Board. The report provides an overview of research and analysis being undertaken by UNCTAD with regard to African development, as well as a summary of specific activities, including advisory services and technical cooperation, in each sector that falls under UNCTAD's mandate. This report complements and updates the information in document TD/B/EX(59)/2, which was submitted to the fifty-ninth executive session of the Board in June 2014. Under this agenda item, a panel will be convened on the topic of revisiting debt sustainability in Africa. An interactive discussion will follow.

Documentation

TD/B/EX(61)/2	Activities undertaken by UNCTAD in support of Africa Report by the Secretary-General of UNCTAD
TD/B/EX(61)/3	Revisiting debt sustainability in Africa

Item 3
Matters requiring action by the Trade and Development Board arising from or related to reports and activities of its subsidiary bodies:

(a) Report of the Working Party on the Strategic Framework and Programme Budget

3. The report of the seventieth session of the Working Party on the Strategic Framework and the Programme Budget will be before the Board for its consideration.

Documentation

TD/B/WP/270	Report of the Working Party on the Strategic Framework and the Programme Budget on its seventieth session

(b) Report of the Investment, Enterprise and Development Commission

4. The report of the seventh session of the Investment, Enterprise and Development Commission will be before the Board for its consideration.

Documentation

TD/B/C.II/31	Report of the Investment, Enterprise and Development Commission on its seventh session

(c) Report of the Trade and Development Commission

5. The report of the seventh session of the Trade and Development Commission will be before the Board for its consideration.

Documentation

TD/B/C.I/38	Report of the Trade and Development Commission on

Documentation

its seventh session

Item 4
Preparatory process for the fourteenth session of the Conference

6. At the consultations of the President, held on 30 April 2015, it was agreed to hold a series of open-ended informal consultations with a view to reviewing proposals on the theme and sub-themes for the fourteenth session of the Conference (UNCTAD XIV). The aim is to conclude the work with concrete proposals, including the timeline up to the Conference, that could be formally adopted by the Board at its sixty-first executive session.

Item 5
Designation of non-governmental organizations for the purposes of rule 77 of the rules of procedure of the Trade and Development Board

7. The UNCTAD secretariat has received one application requesting inclusion in the list provided for in rule 77 of the rules of procedure of the Board. A list of the approved non-governmental organizations is contained in document TD/B/NGO/LIST/18.

Documentation

TD/B/EX(61)/R.1	Designation of non-governmental organizations for the purposes of rule 77 of the rules of procedure of the Board: Application from Save the Earth Cambodia

Item 6
Other business

Item 7
Report of the Trade and Development Board on its sixty-first executive session

United Nations TD/B/EX(61)/2

United Nations Conference on Trade and Development

Distr.: General
15 April 2015

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Trade and Development Board
Sixty-first executive session
Geneva, 24–26 June 2015
Item 2 of the provisional agenda

Activities undertaken by UNCTAD in support of Africa

Report by the Secretary-General of UNCTAD

Executive summary

This year's report on the activities undertaken by UNCTAD in support of Africa covers the period May 2014 to April 2015. As in previous years, this report continues to document the impact that the work of UNCTAD has on African development outcomes through three main channels, namely through contributions to policy design, formulation and implementation, through capacity-building of African government officials, institutions, the private sector and civil society and through the facilitation of consensus on issues of interest to Africa.

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Introduction

1. This report provides an overview of the activities of UNCTAD across its three main pillars of work, namely research and analysis, consensus-building and technical cooperation, and highlights areas of collaboration between UNCTAD and its development partners.

2. UNCTAD collaborates with many other United Nations agencies, member Governments, donors and international institutions to deliver on its goal to support the implementation of the New Partnership for Africa's Development and foster economic development in Africa.

3. UNCTAD is the coordinating agency of the United Nations Inter-Agency Cluster on Trade and Productive Capacity, which includes the International Labour Organization, United Nations Development Programme, United Nations Economic Commission for Africa (ECA), United Nations Industrial Development Organization and World Trade Organization (WTO). To support the African Action Plan 2010–2015 of the African Union and the New Partnership for Africa's Development, UNCTAD is participating with its cluster partners in a regional initiative on industry trade and market access. Inter-agency cooperation includes the provision of assistance on sustainable economic growth, wealth creation and regional integration, with a particular focus on the following three areas: developing industrial policy and institutional direction; upgrading production and trade capacities; and boosting intra-African trade.

I. Research and policy analysis

4. UNCTAD research and policy analysis contributes to the more effective design, formulation and implementation of policies in Africa in four major ways, as follows: stimulating and shaping debates on policy issues affecting Africa's development; helping countries in tracking their economic performance and progress; advising Governments on policy reform through national policy reviews; and supporting Governments in making appropriate decisions with analytical tools that inform technical decision-making.

A. Stimulating and shaping debates on policy issues

5. During the reporting period, UNCTAD had an impact on policy implementation in Africa through the policy recommendations contained in its flagship reports, particularly the *Economic Development in Africa Report 2014: Catalysing Investment for Transformative Growth in Africa*, launched in a number of major African cities, including Addis Ababa, Abuja, Accra, Dakar, Kigali and Yaoundé, as well as Johannesburg, South Africa. The report noted that average investment rates on the continent remain low relative to that necessary to achieve development goals and relative to the average for developing countries. The report concluded that enhancing the contribution of investment to growth required boosting investment rates, improving the productivity of existing and new investments and ensuring that investment was directed to strategic and priority sectors deemed crucial for economic transformation. The report, which underscored the need to enhance the contribution of investment in Africa to growth, received positive feedback from the Group of 77 and African member States of the Trade and Development Board at the sixty-first session of the Board, held in September 2014. Some delegates encouraged UNCTAD to support African countries in assessing their countries' investment needs and the causes of their investment deficits in the context of the post-2015 development agenda framework.

6. The *Least Developed Countries Report 2014 – Growth With Structural Transformation: A Post-2015 Development Agenda* had an impact in policy circles in Africa by influencing the post-2015 development agenda and highlighting the need for least developed countries (LDCs) – 34 of which are in Africa – to promote structural transformation and labour productivity and focus attention on the needs of women entrepreneurs in rural areas and non-farming activities.

7. A study entitled *The 2014 US Farm Bill and Its Implications for Cotton Producers in Low-Income Developing Countries* was published in December 2014.[1] The study provided an analysis of the United States Agricultural Act of 2014, focusing on its potential implications for cotton prices worldwide and especially its impact on cotton producers in low-income developing countries and LDCs. The study also reviewed, among others, opportunities for African cotton producers, highlighted some policy recommendations for enhancing income from cotton production in Africa and made recommendations on ways of increasing the supply of and access to inputs and on improving regulation of the sector.

B. Tracking economic performance and progress

8. The *World Investment Report 2014 – Investing in the SDGs: An Action Plan* focused on a global action plan for galvanizing the role of businesses in achieving future sustainable development goals and enhancing the positive economic, social and environmental impacts of the private sector.[2] The report stated that African countries needed to establish or develop institutions that would help attract investments towards sustainable development goals. As in previous years, the report provided a comprehensive analysis of foreign direct investment trends in Africa, including a dedicated regional analysis of African investment. The report highlighted that foreign direct investment flows to Africa continued to rise in 2013, reaching $57 billion. However, trends in flows varied by subregion. The report noted that intra-African investments were increasing, led by Kenyan, Nigerian and South African firms. During the period 2009–2013, the share of announced cross-border greenfield investment projects originating in Africa rose to 18 per cent of the total, from less than 10 per cent during the period 2003–2008.

C. Conducting national policy reviews

9. Africa has been the main beneficiary of the investment policy review programme since its inception in 1999. Of a total of 36 completed reviews, 21 have been prepared for African countries. During the reporting period, UNCTAD published reviews for the Congo and the Sudan, which were presented to the respective Governments in November 2014. UNCTAD also launched the preparation of the investment policy review of Madagascar. Around five to six years following completion of a review, UNCTAD prepares a report that assesses the extent of the implemented recommendations. In July 2014, UNCTAD published the implementation report for Zambia. Implementation reports prepared by UNCTAD for African countries showed a good to strong implementation record, increased interest by existing investors and enhanced capacity to market investment opportunities.

D. Providing analytical tools

10. UNCTAD has an impact on policymaking in Africa through the provision of information tools to assist in decision-making and technical tools that improve Government efficiency. Nearly all African countries have a national investment promotion agency.

[1] US, United States of America.
[2] SDGs, sustainable development goals.

UNCTAD aims to share best practices from around the world such that they can be replicated by African investment promotion agencies in a scalable and sustainable manner. National and subnational agencies in 52 African countries receive the UNCTAD Smart Promotion Network eFlash, a monthly electronic bulletin with strategic and operational news specifically tailored to the needs of investment promotion agencies, and the UNCTAD Investment Promotion Agencies Observer and Investment Advisory series, which feature best practices and replicable lessons from agencies.

11. The eRegulations system of the UNCTAD Business Facilitation Programme helps countries simplify and automate their rules and procedures relating to investment and entrepreneurship. The system is operational in 16 African countries and contributes to increased transparency and greater institutional capacity, thereby facilitating business and making African countries more attractive to foreign investors. In 2014, UNCTAD, together with the United Nations Development Programme, assisted the Ministry of Small and Medium-Sized Enterprises, Social Economy and Handicrafts of Cameroon in installing the eRegulations system in two additional regions, ensuring that simplification measures implemented in the capital also benefited entrepreneurs elsewhere in the country. Both organizations also assisted the investment promotion agency of the United Republic of Tanzania in installing an eRegulations system to reduce the number of steps required to start a business in the country from 21 to seven.

12. The UNCTAD online investment guides aim to raise awareness among the international investment community of investment opportunities and conditions in beneficiary countries. The guides are developed by beneficiary Governments under the guidance of UNCTAD. Investment guides have been or are being developed online in Burundi, Djibouti, Kenya, Rwanda and Uganda.

II. Consensus-building

13. UNCTAD facilitates the participation of African countries in a range of expert meetings in order that they may benefit from positive development experiences in other regions and brainstorm solutions for their own development challenges.

14. UNCTAD, through the BioFuels Initiative, supported the organization of the Africa Carbon Forum in Namibia in July 2014. UNCTAD contributed to the session on bioenergy in the context of sustainable development goals. Given the low level of carbon prices in Clean Development Mechanism markets, African countries are seeking additional ways to promote low-carbon development in Africa. Bioenergy is seen as one of the contributors to low-carbon development, in the context of ongoing discussions on the future of the Clean Development Mechanism. On the same occasion, UNCTAD presented highlights of its upcoming publication entitled *The State of the Biofuels Market: Regulatory, Trade and Development Perspectives*.

15. The UNCTAD World Investment Forum was held in October 2014. Ministers and experts from African countries participated in a number of high-level events. A ministerial round table on investing in sustainable development goals convened investment, trade and development ministers from 29 countries, including 13 African countries, and two heads of international organizations. The outcome of the meeting will be presented to the United Nations General Assembly, and will contribute to the third International Conference on Financing for Development, to be held in Addis Ababa in July 2015, and ultimately to the United Nations summit for the adoption of the post-2015 development agenda, to be held in New York, United States in September 2015.

16. The International Investment Agreement Conference: Reforming the International Investment Agreement Regime, which also took place during the World Investment Forum, attracted more than 50 key stakeholders. Representatives from seven African countries contributed to the debate, which called on UNCTAD to work with other stakeholders and

develop a road map for international investment agreement reform that offered concrete solutions for making such agreements more supportive of sustainable development. In addition, the Talking Business – Africa event attracted 200 participants, including more than 75 investors from a wide range of firms. High-level representatives of eight African countries discussed investment opportunities in their countries and their comparative advantages. The session also provided networking possibilities, for establishing business contacts with high-level government representatives, to further understand and explore new investment horizons. Other investment promotion opportunities for African countries at the World Investment Forum included a dedicated area entitled the investment village, which gave countries the opportunity to showcase and promote their investment opportunities. One third of the 28 countries taking part in the event was from Africa and helped arrange some of the 100 bilateral meetings that took place between countries and potential investors.

17. During the World Investment Forum, UNCTAD organized a special event to complement the annual African OilGasMine Conference, under the theme, "Achieving sustainable development goals through investment in oil and gas field services". The Trade Commissioner of the African Union Commission expressed an interest in exploring the possibility of implementing a proposal to establish an African gas hub.

18. In the area of commodities, work on the African cotton sector that had begun with the UNCTAD Secretary-General's Multi-stakeholder Meeting on Cotton, held in Switzerland in December 2008, was concluded in 2014. The Pan-African Cotton Road Map, derived from an intensive multi-stakeholder consultation process, was published and presented in Brussels to the secretariat of the steering and monitoring committee of the European Union-Africa Partnership on cotton. The committee will oversee implementation of the road map in collaboration with UNCTAD and pan-African institutions. Collaborating institutions along with the committee include the Government of Benin, the Planning and Coordinating Agency of the New Partnership for Africa's Development and the secretariat of the African, Caribbean and Pacific Group of States.

III. Technical cooperation

Enhanced Integrated Framework for trade-related assistance for least developed countries

19. As a core agency of the Enhanced Integrated Framework programme, UNCTAD continues to participate in the organization and implementation of Framework activities. The Doha Mandate recognized the important contribution of the Framework and called on UNCTAD to enhance the effectiveness of its contributions to the Framework. UNCTAD assists African LDCs in various stages of the Framework, as follows: organization of sensitization workshops on the Framework process; updating of Diagnostic Trade Integration Studies; and formulation and implementation of Tier 2 projects. For example, UNCTAD, in cooperation with the International Trade Centre and United Nations Industrial Development Organization, assisted the Government of Benin in the formulation of a Tier 2 project, which was approved in July. The letter of agreement was signed in February 2015 and implementation is scheduled to start in March 2015. In addition, UNCTAD, in collaboration with the Enhanced Integrated Framework secretariat, organized a regional event in the Gambia in June 2014 on the implications of the Trade Facilitation Agreement of the WTO on regional transit issues, in order to discuss and eventually solve implementation issues regarding the Inter-State Road Transit scheme of the Economic Community of West African States (which had arisen in the context of the Diagnostic Trade Integration Studies of Burkina Faso, the Gambia, Mali, the Niger and Senegal) and discuss how the Trade Facilitation Agreement provision on transit could assist in making progress towards implementation of the scheme. As part of the Diagnostic Trade

Integration Study updates of Djibouti, Ethiopia, Mali, Mozambique and the Niger, further analytical work and several advisory missions and workshops were carried out in 2014.

20. UNCTAD organized a workshop concerning the graduation of Angola from the LDC category, held in Luanda in February 2015. Based on the established criteria of the United Nations, Angola was found eligible for graduation during the reviews of the list of LDCs in 2012 and 2015, with the possibility of graduating in 2018. The overall objective of the workshop was to create awareness among policymakers, practitioners and other stakeholders on key issues related to graduation, including opportunities and challenges, and the potential of Angola to graduate from the LDC category. This event was key in enabling the Government of Angola to make well-informed decisions with regard to the country's graduation. The workshop provided a crucial opportunity to closely examine Angola's prospects, opportunities and challenges in a post-graduation environment by taking into account the current graduation criteria.

Capacity-building in information and communications technology

21. In the area of information and communications technology (ICT) policies for development, UNCTAD helps African countries create a favourable environment to benefit from opportunities created by ICTs. Such work includes capacity-building activities in measuring the ICT economy. In September 2014, an information economy statistics workshop was organized in Ethiopia, in collaboration with the Ethiopian Ministry of Communications and Information Technology. Some 20 participants were trained in how to collect and report statistics on the use of ICT in the enterprise sector. In addition, a draft report prepared under the leadership of UNCTAD by a task group of the Partnership on Measuring ICT for Development was presented and discussed in a parallel session organized by UNCTAD at the first Joint Session of the African Union Committee of Directors General of National Statistics Offices and the ECA Statistical Commission for Africa, held in Tunisia in December 2014.

22. UNCTAD, in collaboration with the commission of the Economic Community of West African States, launched a project in West Africa (funded by the United Nations Development Account) to support the development of harmonization of laws on electronic commerce (e-commerce) in the region. The project will provide technical assistance and capacity-building activities during the period 2013–2015, with a focus on legal aspects of e-commerce and e-commerce for practitioners. African countries participating in this project are Benin, Burkina Faso, Côte d'Ivoire, the Gambia, Ghana, Guinea, Mali, the Niger, Nigeria, Senegal and Togo.

TrainForTrade project

23. In 2014, the TrainForTrade project in West Africa delivered one distance learning course and two workshops on the legal aspects of e-commerce and one distance learning course and one workshop on e-commerce for practitioners. The e-learning course on legal aspects of e-commerce was delivered between October and November 2014 and of the 168 participants who registered (including 29 women), 122 participants (including 28 women) successfully completed the course. Given this number of participants, TrainForTrade has grown from an e-learning programme to a small private online course. A second such course on e-commerce for practitioners was held in English and French from January to February 2015, with more than 100 participants from member States of the Economic Community of West African States.

24. UNCTAD, through its TrainForTrade Port Training programme, promotes South-South collaboration and knowledge sharing in Africa through one English and one French network. In addition, a public–private partnership scheme is in place with the cooperation of Irish Aid and ports in France, Ireland and the United Kingdom of Great Britain and Northern Ireland. The scheme provides technical cooperation and capacity-building through train-the-trainer workshops and coaching workshops to support the capacity development

of local instructors at ports who then train their own staff, as well as the Modern Port Management course, which targets middle and senior port managers. In 2014, 58 courses were held globally for 460 participants, including 261 trainers from 18 countries, including eight LDCs. Of these, 55 courses were of 30 hours each and were delivered by local instructors trained by UNCTAD. The active member ports of the Port Training programme are in Benin, Cameroon, Côte d'Ivoire, Djibouti, Gabon, Ghana, Guinea, Senegal and Togo.

Support for trade negotiations and regional integration processes

25. One aspect of the regional development agenda of African countries concerns the formation of a continental free trade area in support of boosting intra-African trade in the framework of the African Economic Community. UNCTAD is contributing to the realization of this agenda. Since the adoption of the plan to set up a continental free trade area at the African Union Summit in 2012, UNCTAD has cooperated with the African Union Commission in identifying strategies to help establish the area. In 2014, UNCTAD, with inputs from the African Union Commission and ECA, launched four studies on various aspects of a continental free trade area. The studies, which will be finalized in 2015, are on the following themes: policy guidelines for advancing pan-African trade integration – economic, legal and functional aspects; policy and negotiation options; liberalizing trade in services; and fostering the development and strengthening of regional value chains in agricultural commodities and processed food products in Africa. It is expected that these four studies, which will be transformed into training modules, will provide policymakers and negotiators of African countries with evidence-based analysis and suggestions on strategies and policies for developing an effective continental free trade area that generates intra-African trade and promotes economic growth and inclusive development. In addition, under this UNCTAD project, capacity-building workshops for negotiators of African countries are planned to be held in the coming months.

26. The impact of economic partnership agreements between the European Union and member States of the African, Caribbean and Pacific Group of States on African regional integration is a major concern for African countries. UNCTAD is currently assisting African countries in assessing and addressing the impact of the proposed economic partnership agreements on their economies by contributing to consultative events on the subject at national and regional levels organized by the African Union, ECA and the secretariat of the African, Caribbean and Pacific Group of States. In July 2014, such events included advisory services to the African, Caribbean and Pacific Group of States retreat in Switzerland on the outcome of the ninth session of the Ministerial Conference of the WTO and a national workshop in Zambia on trade policy review.

Support for trade policy formulation and trade promotion

27. In 2014, UNCTAD continued to assist the Governments of Angola and Zambia in the follow-up of the elaboration of their respective trade policies and their implementation. Towards the end of 2014, UNCTAD held a mission to Angola to conduct initial exchanges with the Government and stakeholders on the draft Angolan trade policy framework prepared by UNCTAD at the request of the Government of Angola. Stakeholders comprised representatives from, inter alia, the Ministry of Foreign Affairs, various other ministries, the National Bank of Angola and the customs authority. The private sector was represented by several officials from the Angola Chamber of Commerce and Industry. The draft trade policy framework was well received by all stakeholders and, in particular, stakeholders welcomed the suggestions about sector studies that could help the country in its process of exports diversification and value addition activities. UNCTAD will incorporate policy suggestions made by different stakeholders, including from the energy, banking and private sectors, as well as women's groups and non-governmental organizations, in order to finalize the study in 2015.

28. UNCTAD is supporting the Government of Zambia in elaboration and improvement of its trade policy. Zambia is largely dependent on exports of a single commodity (copper) and wishes to diversify and add value to its exports. At the Government's request, a mission was undertaken in July 2014 to initiate preparations and discussions with the Government and relevant stakeholders on a trade policy regarding increasing exports in non-traditional copper-related products, which will help Zambia play a more important role in regional integration, in particular with the Common Market for Eastern and Southern Africa, ECA and the Southern African Development Community.

29. UNCTAD is supporting Kenya in elaborating and updating its trade policy. A study was prepared and specific recommendations made that assisted Kenya in elaborating its international trade policy in July 2014.

30. Advisory services, field missions and capacity-building activities were undertaken in 2014 in order to support the Comoros and Liberia in their accession process to the WTO. Workshops on WTO accession issues for trade officials of the Comoros were conducted in June and December 2014. In May 2014, a review was conducted of the draft initial goods offer, draft legislative action plan and draft initial services offer of Liberia.

31. UNCTAD has implemented a project on improving inter-institutional coordination and reducing the duplication of efforts in the implementation of national trade and development policies in Mozambique. A study on this subject was successfully concluded and a national workshop was held in Maputo in November 2014. The study and workshop were fully financed through contributions from the Government of Austria. The main objectives of the workshop were as follows: share the findings and conclusions of the study with national experts, policy advisors and decision makers from various institutions in Mozambique; share successful experiences and best practices from other developing countries on issues related to institutional coordination and trade mainstreaming; and find ways and means of enhancing policy coordination in the country, with a special focus on trade and development-related policymaking.

32. As part of the ongoing project on building the capacities of selected LDCs to upgrade and diversify their fish exports (funded by the United Nations Development Account) country-level case studies of five LDCs, three of which were in Africa (the Comoros, Mozambique and Uganda), were completed in 2014. The objective of the project is to undertake policy-oriented research and analysis on exports development and diversification, with a particular focus on the fish and fisheries exports of LDCs and the problems faced in meeting international standards. Various national and interregional workshops will be conducted and a training (operational) manual will be developed. The project will recommend policies and strategies for implementation, with a view to improving capacity in order to comply with international standards and enhancing the capacities of LDCs to develop and diversify exports by tapping into their fisheries potential.

33. The UNCTAD Virtual Institute continued to focus special attention on the strengthening of trade and development-related teaching and research at academic institutions in Africa. In 2014, four universities (in Burundi, Nigeria, the United Republic of Tanzania and Zambia) and one think tank (in the United Republic of Tanzania) joined the existing Virtual Institute members, making Africa the region with the highest level of country representation in the Virtual Institute. To support the teaching of trade and development issues at African universities, the Virtual Institute provided advice for the master's degree programme in international economics and trade launched at Moi University, Kenya, in October 2014 and supported the development of proposals for a bachelor's degree programme in international economics and trade at the University of Nairobi and a graduate course on global value chain management at Makerere University Business School, Uganda. In the area of professional development, the Virtual Institute offered two online courses, on trade and poverty and on non-tariff measures, which were completed by 20 and 27 participants from Africa, respectively. The Virtual Institute also organized three national professional development workshops for a total of 60 African

academics. Virtual Institute services for African universities were sponsored by the Government of Finland, the One United Nations fund for the United Republic of Tanzania and the United Nations Department of Economic and Social Affairs.

34. The thirty-second UNCTAD Paragraph 166 regional course was held in collaboration with the University of Mauritius. Participants (including 10 women) were from 15 countries (11 LDCs) and included 25 African policymakers and academics. The three-week course addressed policy dimensions of issues related to finance, trade, investment and technology and their corresponding impacts on development. The final course evaluation revealed the appreciation of participants for the integrated approach of the programme in treating trade and investment policies in conjunction with development objectives. Many praised the practical approach of discussing best practices in policy development and implementation.

Capacity-building in trade logistics and facilitation

35. During the second half of 2014, UNCTAD assisted a number of African countries in preparing for implementation of the Trade Facilitation Agreement of the WTO. With financial support from the Government of Sweden (including a contribution in July 2014 to the UNCTAD multi-donor trust fund for transport and trade facilitation), UNCTAD supported developing countries and LDCs in the finalization of national trade facilitation implementation plans, categorization of Trade Facilitation Agreement measures, preparation of project proposals and/or training in specific trade facilitation issues. Beneficiary African countries and regional groups were as follows: Botswana, Burkina Faso (West African Economic and Monetary Union (WAEMU)), Cameroon (Union of African Shippers' Councils), the Comoros, the Congo (Union of African Shippers' Councils), Kenya, Mauritius, Nigeria, the Sudan, Swaziland, Uganda and the United Republic of Tanzania (East African Community).

UNCTAD Asycuda Programme

36. Not only does Asycuda provide increases in revenue collected by customs of often more than 25 per cent in LDCs, the programme also helps reduce clearing times and costs depending on the initial situation (e.g. delays may be reduced from weeks to days or hours). Twenty-six African countries benefited from Asycuda programme support in 2014, namely Burkina Faso, Burundi, Cabo Verde, Cameroon, Central African Republic, the Congo, Côte d'Ivoire, the Democratic Republic of the Congo, Djibouti, Guinea, Lesotho, Liberia, Malawi, Mali, Mauritania, Namibia, Rwanda, Sao Tome and Principe, Seychelles, Sierra Leone, the Sudan, Swaziland, Togo, Uganda, Zambia and Zimbabwe. Numerous training sessions were organized, allowing for the transfer of Asycuda know-how and skills to national teams, ensuring the long-term sustainability of the system by national customs administrations. A technical assistance project piloted in Ethiopia (funded by the Government of the Netherlands) aiming to automate the processing of phytosanitary certificates, and validate them against exports customs declarations in order to expedite clearance formalities, was completed in 2014. Also in 2014, the Government of Sao Tome and Principe, following a reform of its customs administration that led to migration to the latest version of Asycuda, financed a second phase to extend reforms beyond customs to other government agencies, in order to develop and implement a single-window system centred on the customs system and using Asycuda technology solutions.

Support for competition-related policymaking

37. UNCTAD, in collaboration with the Ethiopian Trade Competition and Consumer Protection Authority, organized an advocacy workshop on competition law and policy in Addis Ababa in June 2014. The workshop, held for the first time in Ethiopia, brought together stakeholders from ministries, the business community, media, sector regulators, academia and consumer organizations, and provided a forum for discussion on issues with

regard to competition and consumer protection affecting the Ethiopian market. In addition, in December 2014, UNCTAD signed a project agreement with Luxembourg. The project, on strengthening competition and consumer protection law enforcement in Ethiopia, includes activities under the following four broad areas: policy and legal framework; institutional framework; enforcement capacity-building; and advocacy for competition and consumer protection. The project was launched in January 2015 in Addis Ababa on the margins of the African Union Summit and UNCTAD began implementation in the first quarter of 2015.

38. In July 2014, UNCTAD presented the voluntary peer reviews of competition law and policy of Namibia and Seychelles at the fourteenth session of the Intergovernmental Group of Experts on Competition Law and Policy. The peer review process helps identify a country's needs and weaknesses in the area of competition law and policy implementation. The reports include recommendations with regard to strengthening domestic competition law and policy, contributing to the overall development strategies of the countries. UNCTAD held an event to disseminate the findings and recommendations of the peer review of Namibia in February 2015 in Windhoek.

39. In order to streamline UNCTAD's technical assistance activities and increase their impact, the Global Compal programme has been extended to countries in the Middle East and North Africa. The extension of the programme is funded by the Swedish International Development Cooperation Agency for an initial period of four years (2015–2019) and is currently among the largest single-donor UNCTAD projects to date. The programme focuses on regional integration through the formulation and enforcement of competition and consumer rules as a tool for inclusive and sustainable economic growth.

40. Under the UNCTAD Africa Competition Programme, funding was received from the WAEMU to implement a capacity-building project, designed according to the recommendations emanating from the UNCTAD peer review of the competition rules of the WAEMU and its member States. These activities strengthened the capacities of 15 developing countries to implement competition policy and prevent anti-competitive practices. In 2014, UNCTAD received funding from the European Union to implement the recommendations of the voluntary peer review of competition law and policy of Zimbabwe, carried out by UNCTAD in 2012.

Capacity-building in investment

41. In 2014, UNCTAD assisted a number of African countries, including Angola, Egypt and Nigeria, in reviewing their model bilateral investment treaties, with a view to enhancing the development dimension and legal clarity of the models.

Support for enterprise development

42. During the reporting period, UNCTAD continued to provide assistance to the 16 established African Empretec centres through advisory services, policy workshops and seminars based on the newly developed Entrepreneurship Policy Framework, training for entrepreneurs and small and medium-sized enterprises and support to regional networks and initiatives. Two new Empretec centres were launched in Africa, in Cameroon and the Gambia. In Uganda, the United Republic of Tanzania and Zambia, UNCTAD continued to identify business linkage opportunities, including effective partnerships with large firms. In the context of projects of the "One United Nations" initiative, targets have included construction sectors in Zambia and tourism, organic food and mining in the United Republic of Tanzania. For example, a memorandum of understanding with Lafarge Zambia is being finalized, securing a joint sponsorship for the construction of 6,000 residential units in the copper mining area in Zambia, generating green jobs for local suppliers.

43. During the reporting period, UNCTAD, in cooperation with other international organizations, continued to work towards full operationalization of its set of Principles for

Responsible Agricultural Investment (for sustainable development), through guidelines, monitoring and other avenues. This is of specific importance since, in many low-income countries in Africa, agriculture accounts for a relatively large share of foreign direct investment inflows. The principles are currently being piloted in 13 countries, eight of which are in Africa (Côte d'Ivoire, Ethiopia, Ghana, Liberia, Mozambique, South Africa, the United Republic of Tanzania and Zambia).

Capacity-building in intellectual property

44. UNCTAD capacity-building activities in Africa extend to enforcing intellectual property to help achieve economic development. In October 2014, UNCTAD provided training for stakeholders on trade-related aspects of intellectual property rights and public health and the local production of pharmaceuticals, at a regional workshop for the East African Community in Kenya, held in cooperation with the United Nations Industrial Development Organization. The workshop was followed by online training and concluded with a second regional workshop in Nairobi in February 2015. In November 2014, UNCTAD participated in a joint capacity-building workshop in Ethiopia on policy coherence in access to medicine and the local production of pharmaceuticals and provided recommendations on phase two of the country's Growth and Transformation Plan. At the World Investment Forum in October 2014, UNCTAD, jointly with the Joint United Nations Programme on HIV/AIDS, organized a session on investing in sustainable and universal access to medicines, focusing on diseases that mainly affect the African continent.

Capacity-building in accounting and reporting

45. A strong accounting infrastructure that produces high-quality corporate reporting is a critical factor in attracting investment, allocating scarce resources and promoting financial stability. However, such infrastructure remains a challenge for many African countries. A number of African member States benefited from support from UNCTAD in the areas of accounting and reporting, as well as with regard to environmental, social and governance-related issues. For example, the thirty-first session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, which took place in Geneva in October 2014 in parallel with the World Investment Forum, included over 73 participants and experts from 21 African countries. African representatives from Côte d'Ivoire, the Democratic Republic of the Congo and the Sudan, having used the UNCTAD Accounting Development Tool, affirmed its usefulness in assessing their human capacity and regulatory and institutional arrangements and for developing action plans. The representatives requested that UNCTAD roll out the Accounting Development Tool more widely.

Support for debt management

46. The UNCTAD Debt Management and Financial Analysis System programme provides support to developing countries and LDCs in strengthening their capacity to manage debt in an effective and sustainable way, in support of poverty reduction, development and improved governance. The programme's comparative advantage is in areas related to the implementation of debt management systems, debt data validation, debt statistics and basic debt analysis. Technical cooperation activities during the reporting period that resulted in concrete and sustainable results were undertaken as follows: in Côte d'Ivoire, Egypt, Ethiopia, Gabon, Madagascar, Zambia and Zimbabwe, in order to improve debt recording; in Gabon and Madagascar, to support the relevant national debt offices in the production of debt data validation calendars; in Côte d'Ivoire, to assist in the elaboration of national debt statistics bulletins; and in Madagascar, to improve debt analysis capacity. During the reporting period, the programme also assisted Côte d'Ivoire, the Democratic Republic of the Congo, Uganda and Zambia in integrating their debt management systems into other governmental financial applications. In addition, the programme continued to strengthen its partnership with other organizations involved in

providing technical assistance in debt management to Africa, such as the International Monetary Fund (through the African Regional Technical Assistance Centres), Macroeconomic and Financial Management Institute of Eastern and Southern Africa, Organization for Economic Cooperation and Development and World Bank (including through its Debt Management Facility). Finally, the Debt Management and Financial Analysis System programme continues to collaborate with the African Development Bank and United Nations Development Programme in the implementation and funding of technical assistance projects in Africa.

47. The UNCTAD project to promote responsible sovereign lending and borrowing continued to gather momentum for the endorsement of principles on responsible sovereign lending and borrowing across African countries. The Macroeconomic and Financial Management Institute of Eastern and Southern Africa, with which UNCTAD has a close collaboration, organized a seminar in December in Arusha, the United Republic of Tanzania, aimed at reinforcing the capacity of the participants with regard to public debt management. The seminar was attended mostly by parliamentarians and staff from working committees on budget issues. UNCTAD was invited as a resource institution, not only as a presenter, with a view to disseminating the guidelines on the principles and encouraging the adoption of a sound regulatory framework by parliamentarians, but also to stimulate group discussions. In addition, in 2014, a project was initiated on building capacity of developing countries' policymakers to address regulatory and institutional gaps in the field of sovereign debt governance, with a view to facilitating implementation of the principles in developing countries. Beneficiary countries of the project include Togo and Mauritania. UNCTAD has continued to provide support to African and other debtor countries in preparing their negotiations on the restructuring of bilateral official debt in the framework of the Paris Club of Industrial Country Creditors. During the reporting period, only one African country rescheduled its debt with the Paris Club.

48. UNCTAD undertook various activities in 2014 as part of the project on strengthening pro-growth macroeconomic management capacities for enhanced regional financial and monetary cooperation among selected countries of Latin America and the Caribbean, and West and Central Africa (funded by the United Nations Development Account). A research paper was completed on the experience of financial and monetary integration in West Africa and several other papers are about to be commissioned. Preparations are under way for a regional seminar to be held in West Africa in the first half of 2015. The project aims to identify key lessons on regional financial integration in West Africa, benefiting from comparisons with experiences in Latin America and parts of Asia. It aims to encourage senior policymakers and officials from ministries of economy and finance in the region to share their views and experiences, as part of a process of strengthening institutional knowledge and generating greater consensus on regional macroeconomic interdependence and the scope for regional monetary and financial cooperation.

Trade and gender

49. UNCTAD is conducting research and analysis on the gender ramifications of macroeconomic policies and specifically trade policies in selected developing countries. In Africa, the countries include Angola, Cabo Verde, the Gambia, Lesotho and Rwanda. The case studies illustrate some of the structural, social and cultural constraints that create or perpetuate a lack of gender equality in sectors that have been or can be stimulated by trade, such as agriculture, fisheries, services and manufacturing. For example, a study entitled *Who is benefiting from trade liberalization in Rwanda? A gender perspective*, published in 2014, assesses the impact of Rwanda's trade policies on women and examines their role in the country's economy. A national workshop, attended by around 50 participants, mainly from government institutions but also from the private sector, business community and women's associations, was conducted in Rwanda in November 2014 to present the findings and recommendations of the study, with the aim of enhancing the capacities of local

policymakers to mainstream gender into trade policy and familiarizing relevant national stakeholders with the methodologies used.

50. A paper entitled *Looking at trade policy through a "gender lens"*, published in January 2015, presents the findings of seven country case studies on trade and gender (five of which were for Africa) that examine the impact of trade liberalization and facilitation on gender equality and women's well-being. In addition, UNCTAD developed a teaching package on trade and gender with the aim of enhancing teaching and research capacities on this topic at academic institutions in developing countries, providing tools to government stakeholders to mainstream gender concerns into trade policy and train civil society representatives working in the field. An online course based on this topic was initiated in January 2015 and participants from the following African countries were selected: Botswana, Burundi, Cameroon, the Democratic Republic of the Congo, Ethiopia, Ghana, Kenya, Lesotho, Mauritius, Mozambique, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, the Sudan, Togo, the United Republic of Tanzania and Zimbabwe.

Trade and poverty

51. UNCTAD is implementing a project on mainstreaming trade into national development strategies, to achieve poverty reduction objectives. Ethiopia, Lesotho and Senegal are the three beneficiary African countries. In Ethiopia, a national study funded by the project was considered by the national authorities as a key input for the development of Ethiopia's trade policy strategy, the second Growth and Transformation Plan and the Diagnostic Trade Integration Study update led by UNCTAD that began in 2014. A workshop with Ethiopian authorities and stakeholders will be held in 2015 to validate the study. In Lesotho, a regional workshop for African countries was held in March 2015, in order to exchange experiences in trade mainstreaming between beneficiary countries in Africa and other LDCs and provide an opportunity to discuss challenges and lessons learned. The workshop also addressed national and regional trade policy frameworks and trade strategies, providing an in-depth assessment of the economic and institutional constraints facing countries in their efforts to make trade an engine of growth and poverty reduction. Finally, recommendations on possible strategies and options to address these constraints were identified. In Senegal, a national study on trade, planning and poverty reduction was prepared and completed following a national workshop and consultations with stakeholders. In addition, a case study on trade and poverty in Senegal, using household data, was initiated in 2014.

Trade and environment

52. Building on the success of the organic agriculture project in the Lao People's Democratic Republic, UNCTAD is one of the implementing partners of the joint project of the Switzerland State Secretariat for Economic Affairs and the United Nations Inter-Agency Cluster on Trade and Productive Capacity entitled Market Value Chains Relating to Horticultural Products for Responsible Tourism Market Access. Specifically, UNCTAD is providing facilitative support to organic producers and processors in partnership with the United Republic of Tanzania Organic Agriculture Movement in addressing issues related to market access for premium products such as coffee, tea, cashews, honey and pineapples. A study is being prepared on linkages between organic agriculture, good agricultural practices and the hotel sector in the United Republic of Tanzania.

Trade statistics

53. UNCTAD has initiated a capacity-building programme with WAEMU to improve their statistics on trade in services. The programme focuses on designing and building an information technology system that will facilitate data capture, sharing and compilation and involves working closely with the statistical agency of WAEMU and individual national statistics institutes and central banks of the member States. The programme will also

include training. In addition, UNCTAD has contributed to drafting of a joint methodological note of the African Union Commission and ECA on international trade in services statistics and is establishing links with the statistical commission of the African Union (soon to be established). UNCTAD attended the first Joint Session of the African Union Committee of Directors General of National Statistics Offices and the ECA Statistical Commission for Africa and held a side event to present a graphical representation of the *UNCTAD Handbook of Statistics 2014* and the UNCTADStat online database.

54. The Transparency in Trade initiative, implemented jointly by the African Development Bank, the International Trade Centre, UNCTAD and the World Bank, progressed further, especially in data collection, developing data collection methodology and measuring non-tariff measures. In this regard, UNCTAD collected data in 13 out of 15 countries of the Economic Community of West African States (Benin, Burkina Faso, Cabo Verde, Côte d'Ivoire, the Gambia, Ghana, Guinea, Liberia, Mali, the Niger, Nigeria, Senegal and Togo). Data will be used to support regional integration efforts in Africa. In 2014, UNCTAD concluded a project with the Southern African Development Community, in collaboration with the German Federal Enterprise for International Cooperation, to assess the potential of non-tariff measures to support deep economic regional integration.

55. UNCTAD made substantive technical contributions to the Ministerial Meeting on New Partnerships for Productive Capacity-building in the LDCs, which was held in Benin in July 2014. Contributions from UNCTAD included organizing a side event on benchmarking productive capacities in LDCs, preparing concept notes that served as background documents for discussions on thematic events and actively participating in several panel discussions. UNCTAD also made substantive contributions to the outcome document, *Cotonou Agenda for Productive Capacity-building in LDCs*, adopted by the meeting. The UNCTAD side event attracted many participants and led to interesting discussions, with several constructive comments on the first productive capacity index on LDCs. This UNCTAD index was viewed as a potentially crucial input to national, regional and global policymaking processes as, once completed, it may clarify where each LDC currently stands and what measures and actions are needed in coming years to accelerate structural transformation through building the productive capacities of countries.

IV. General impact assessment

56. The impact of interventions in Africa by UNCTAD across its three main pillars (research and analysis, consensus-building and technical cooperation) can be summarized in terms of three main outcomes, namely contributions to effective policy design, formulation and implementation, capacity-building of government officials, institutions, the private sector and civil society in a range of thematic areas and facilitation of consensus on issues of interest to Africa. Some of these outcomes under the first two categories are highlighted below.

Contribution to effective policy design, formulation and implementation

57. During the reporting period, UNCTAD had an impact on policy implementation in Africa through the policy recommendations contained in its flagship reports, particularly the *Economic Development in Africa Report 2014: Catalysing Investment for Transformative Growth in Africa*. The report, which warned that if current investment trends continued, Africa's recent growth performance could be jeopardized and prove unsustainable, received positive feedback from the Group of 77 and African member States of the Trade and Development Board at the sixty-first session of the Board. Some delegates encouraged UNCTAD to support African countries in assessing their countries' investment needs and the causes of their investment deficits in the context of the post-2015 development agenda framework.

Capacity-building of government officials, institutions, the private sector and civil society

58. A number of African member States benefited from support from UNCTAD in the areas of accounting and reporting, as well as with regard to environmental, social and governance-related issues. For example, the thirty-first session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, which took place in Geneva in October 2014 in parallel with the World Investment Forum, included over 73 participants and experts from 21 African countries. African representatives from Côte d'Ivoire, the Democratic Republic of the Congo and the Sudan, having used the UNCTAD Accounting Development Tool, affirmed its usefulness in assessing their human capacity and regulatory and institutional arrangements and for developing action plans. The representatives requested that UNCTAD roll out the Accounting Development Tool more widely.

59. Under the UNCTAD Africa Competition Programme, funding was received from the WAEMU to implement a capacity-building project, designed according to the recommendations that emanated from the UNCTAD peer review of the competition rules of the WAEMU and its member States. These activities strengthened the capacities of 15 developing countries to implement competition policy and prevent anti-competitive practices. The UNCTAD Global Compal programme has been extended to countries in the Middle East and North Africa, and Algeria and Egypt are beneficiaries. The extension of the programme to the Middle East and North Africa is funded by the Swedish International Development Cooperation Agency.

60. Since the adoption of the plan to set up a continental free trade area at the African Union Summit in 2012, UNCTAD has cooperated with the African Union Commission in identifying strategies to help establish the area. In 2014, UNCTAD, with inputs from the African Union Commission and ECA, launched four studies on various aspects of a continental free trade area. It is expected that these four studies, which will be transformed into training modules, will provide policymakers and negotiators of African countries with evidence-based analysis and suggestions on strategies and policies for developing an effective continental free trade area that generates intra-African trade and promotes economic growth and inclusive development.

61. UNCTAD, in collaboration with the Enhanced Integrated Framework secretariat, organized a regional event, in the Gambia in June 2014, on the implications of the Trade Facilitation Agreement of the WTO on regional transit issues, in order to discuss and eventually solve implementation issues regarding the Inter-State Road Transit scheme of the Economic Community of West African States (which had arisen in the context of the Diagnostic Trade Integration Studies of Burkina Faso, the Gambia, Mali, the Niger and Senegal) and how the Trade Facilitation Agreement provision on transit could assist in making progress towards implementation of the scheme. As a core agency of the Framework programme, UNCTAD continues to participate in the organization and implementation of Framework activities.

62. UNCTAD organized a workshop concerning the graduation of Angola from the LDC category, held in Luanda in February 2015. The workshop provided a crucial opportunity to closely examine Angola's prospects, opportunities and challenges in the post-graduation environment by taking into account the current graduation criteria. In the context of the national Vision 2025 plan of the Government of Angola, graduation is viewed as an important milestone for the country.

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Revisiting debt sustainability in Africa

Note by the UNCTAD secretariat

Executive summary

On average, Africa's external debt levels are below 23 per cent of gross domestic product (GDP), which should be sustainable for most countries. Global investors attracted to emerging sovereign debt markets have enabled many African countries to tap international bond markets. The sovereign debt of several African countries has increased in recent years and is becoming a source of concern to policymakers, analysts and multilateral financial institutions, particularly the International Monetary Fund (IMF). While the continent's current debt ratios are manageable, their rapid growth in several countries is worrisome and requires action to avoid a repetition of the African debt crisis of the 1980s. Against a backdrop of falling commodity prices, rising debt levels a resurgent dollar and forecasts for higher global interest rates, the dangers of a new debt trap in Africa should not be ignored. This paper suggests that there are important lessons to be learned as African Governments strive to balance the competing objectives of financing development spending and of avoiding a new round of debt crises.

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Introduction

1. The sovereign debt of several African countries has increased in recent years and is becoming a source of concern to policymakers, analysts and multilateral financial institutions, particularly the IMF.[1] While the continent's current debt ratios are manageable, their rapid growth in several countries is worrisome and requires action if a recurrence of the African debt crisis of the 1980s is to be avoided. According to 2013 data, two African countries with relatively high external debt-to-GDP ratios are Mauritania (102 per cent) and Cabo Verde (92 per cent). The swelling debt of several African countries can be explained by the fact that African countries enjoy better access to international financial markets because the continent is growing faster than before.[2] In relation with this, investors are seeking better yields in Africa, given slow growth in advanced countries, and higher rates of return based on the perceived risk of investing in Africa. The rise of other developing countries has also opened up new sources of external finance that African countries are content to take advantage of, often without the imposition of conditionalities. As a result of this favourable external environment, countries such as Côte d'Ivoire, Ghana, Kenya, Senegal and Zambia have successfully issued sovereign bonds (Standard and Poor's, 2014).

2. A crucial feature of Africa's debt has implications for sustainability: today African Governments are borrowing from private lenders, unlike in previous years when they borrowed mostly from official lenders such as IMF, the World Bank and the African Development Bank. For example, large corporate bonds have been issued in Ethiopia, Mozambique, Nigeria and South Africa. When these bonds are in foreign currencies, countries become susceptible to currency fluctuations. In addition, borrowing from private lenders is challenging because renegotiation is generally more difficult when a country is unable to service its debt, and conditions for renegotiation come at a very high cost. Borrowing from private lenders also exposes African countries to litigation by vulture funds and investment arbitration. Zambia, for example, has been subjected to costly legal action by vulture funds in recent years (Al Jazeera America, 2015).

3. African countries find international bond investors attractive because they do not impose conditions on how funds are used. Official lenders and bilateral creditors often set conditions on how borrowed funds can be used; this has been a source of disagreement between African countries, and bilateral and multilateral lenders. African countries argue that it limits their policy space; moreover, they would like more room to adopt policies that they deem appropriate in light of domestic realities.

4. However, warning signs indicate that current macroeconomic conditions partly resemble those prevailing before the debt crises of the 1980s. Much as today, there was a combination of buoyant commodity prices, optimistic growth forecasts in resource-rich countries and low interest rates. As international commodity prices are expected to fall, and have already declined in some sectors such as the oil industry, a waning of private lender confidence may be expected in the near future. It is therefore reasonable to ask whether Africa is at risk of falling into another debt trap.

5. This paper reviews the extent to which "new" debt-creating financial flows – stemming from other developing countries, foreign currency bonds[3] and domestic debt may jeopardize debt sustainability in Africa. What are the potential policy implications of these

[1] See IMF, 2013 and *The Financial Times*, 2014.

[2] Since the late 1990s, African countries have endeavoured to focus on macroeconomic stability and the importance of maintaining policy buffers, aligning fiscal and debt sustainability policies, which probably enhanced their resilience during the 2008–2009 global financial crisis (UNCTAD, 2014).

[3] These are also known as Eurobonds.

trends? Given the changing composition of debt, what should African Governments, multilateral development banks and development partners do to avert the risk of another debt crisis?

I. What is the current debt situation?

6. In 2012, African countries spent about 10 per cent of their export earnings on servicing their external debt, which stood at $457 billion. Although this is much lower than debt levels of the 1990s, when debt service often exceeded 40 per cent of export earnings, many African countries have since 2012 become increasingly concerned that a debt boom is beginning to get out of hand. As structural transformation has been slow, most countries remain natural-resource-dependent exporters of unfinished commodities, which are vulnerable to wide fluctuations in commodity prices. And these prices are currently declining. It could thus be argued that the structural foundations for a repetition of the 1980s debt crisis have been laid, and such a crisis is in danger of reoccurring. Between 2006 and 2012, public and publicly guaranteed external debt stocks in current dollars grew faster in Africa than in the rest of the developing world (IMF, 2013).

7. The table shows that Africa's total external debt-to-GDP ratio in 2013 remains a low 23 per cent, because GDP has been growing fast. This ratio fell below 30 per cent in 2006, owing to heavily indebted poor countries' initiatives and the recent commodity price boom. However, in some countries, debt is now approaching 60 per cent of GDP or beyond. For example: Mauritania's debt-to-GDP ratio is 102 per cent, Cabo Verde's is 92 per cent and Zimbabwe's is 87 per cent; those above 60 per cent include Sao Tome and Principe, and Senegal. Debt service as a share of exports of goods and services in 2013 was 10.7 per cent and at the time of writing of this paper, was forecast to rise to 12.1 per cent in 2014. Total debt outstanding as a share of exports of goods and services rose from 50.8 per cent in 2008 to 68.5 per cent in 2013 (see table). Further, government deficits in many African States are rising, especially in West Africa. General Government net lending and borrowing as a share of GDP are at continental averages or above in Liberia, Guinea and Sierra Leone. West Africa's Ebola outbreak has severely disrupted economic activity in Guinea, Liberia, and Sierra Leone, and slow growth in these countries in 2014 is likely to have led to the acquisition of debt to finance widening fiscal deficits. As a result, it is likely that debt-to-GDP ratios for these countries, with spillover effects on their neighbours, worsened in 2014.[4]

[4] In February 2015, these countries were granted debt relief of about $100 million by IMF, which has been under pressure to relieve their financial burden. The Fund has urged other international lenders to take similar action, as it set up a catastrophe containment relief trust to provide grants to countries affected by epidemics and other natural disasters.

Africa: Selected external debt positions, 2000–2013

	2000	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*
Multilateral debt (as percentage of total debt outstanding)	23.7	24.8	25.8	27.0	27.9	29.5	24.5	23.2	24.1	25.4	24.5	..	..	..
Total debt outstanding at year end (as percentage of gross domestic product)	53.4	53.6	54.3	48.7	41.9	32.7	25.3	23.6	21.5	23.7	22.1	22.0	22.5	23.2
Total debt outstanding at year end (as percentage of exports of goods and services)	165.2	172.5	173.3	149.0	121.3	87.2	64.0	59.7	50.8	72.8	64.3	61.7	63.9	68.5
Total debt service: interest and amortization paid (as percentage of exports of goods and services)	27.1	28.0	28.3	23.4	19.2	19.3	21.6	11.6	10.6	13.7	9.3	8.9	9.6	10.7

Source: Data Portal, African Development Bank Group. Available at http://dataportal.afdb.org/Default.aspx (accessed 14 April 2015).

8. As poor infrastructure (power, transportation and water) remains a critical and binding constraint on economic development and competitiveness, many African Governments have aimed to raise the levels of infrastructure investment by the public sector.[5] Infrastructure projects are increasingly attracting finance from non-Development Assistance Committee bilateral sources such as other developing countries. Moreover, many African countries have increasingly raised funds from international capital markets. In the third quarter of 2013, $4.75 billion was raised in sub-Saharan Africa, compared with $3.25 billion for the same period in 2012 (World Bank, 2014).[6]

9. As previously noted, many African countries have recently issued foreign currency bonds denominated in United States dollars. Sovereign bonds issued on international capital markets (Eurobonds) generally carry a fixed coupon payment, and mostly have a 5- to 10-year maturity. This means that, in principle, interest rate risk is relatively low. Although seven African countries have issued Eurobonds since 2013, only the bonds of Gabon, Ghana, Nigeria and South Africa will mature in the near to medium term (before 2018) (Mecagni et al., 2014; IMF, 2014). Many of these countries have issued debt with maturities beyond 2018. Given the relatively favourable market conditions, interest rate shocks may not have an immediate impact. However, there are other types of risks, such as political risk, which also have a bearing on the overall perceived risk of investors; investor confidence can quickly wane if their risk perception is affected, and trigger movements in sovereign bond markets.

[5] These include the Governments of Ethiopia, Ghana, Namibia, the Niger, Nigeria and South Africa.

[6] For example, Eurobond issues in 2013 of $400 million for Rwanda, $1 billion for Nigeria and $750 million for Ghana.

II. The changing composition of debt in Africa

10. Similarly, a worrying trend concerns the shift from most of Africa's borrowing being public, that is to say, multilateral[7] and bilateral lending to private lending, which accounted for 49 per cent of total outstanding external debt in Africa in 2012 (African Development Bank et al., 2014); rescheduling government debts or borrowing more from private lenders is generally much harder than from multilateral lenders. As much of Africa's growing sovereign debt is denominated in dollars, currency fluctuations may prove problematic later on. Almost 15 years of steady economic growth and lower external debt-to-GDP ratios have begun to attract private investors to the market.

11. Most Eurobond issues since 2013 have been oversubscribed, reflecting the growing appetite for investing in African economies, compared with investment opportunities elsewhere. However, there are also some risks to this process. First, market sentiments matter. Since 2009, low global interest rates and the quest for higher returns outside Europe and the United States of America led to increased demand for African countries' debt in 2012 and 2013. However, since the third quarter of 2014, there has been a consistent selling of African Eurobonds as markets reacted to falling oil prices and a return to "less risky", albeit lower return mature markets (*The Financial Times*, 2014). Second, although most international investors are attracted to Eurobonds because the exchange rate risks are negligible, the risk remains with the issuing African Government, and this can be significant. Local currency risks can be high, as witnessed in Ghana in 2014, when the cedi fell sharply against the dollar, making the settlement of foreign-currency-denominated debt much more costly.[8] Most African economies issuing Eurobonds are relatively small in global terms and are relatively more vulnerable to exogenous global fluctuations in capital and commodity markets, thus greater exposure to global finance and related risk must be more effectively managed by their Governments. This is inherently much more complex when the sentiment of global markets is taken into account, as serious financial penalties can result from sizable exchange rate shifts. During the 1980s, exchange rate fluctuations resulting in a stronger dollar contributed to the escalation of the African debt crisis in many countries. Therefore, the currency composition of external debt can have major implications for future debt sustainability (Ibi Ajayi and Khan, 2000).

12. Many African countries still borrow on concessional terms from the Bretton Woods multilateral organizations. Multilateral lending accounted for 21 per cent of total outstanding external debt in Africa in 2012 (African Development Bank et al., 2014). In general, these loans carry fixed interest rates or predetermined charges, which means that interest rate risk on these instruments is limited. This is also the case for most bilateral loans, for example from the Paris Club. However, some African States also have variable-rate external public and private debt. Angola, Botswana, Côte d'Ivoire and South Africa have the highest levels of variable-rate external debt in Africa, making them acutely vulnerable to major fluctuations in global interest rates (World Bank, 2014).

13. Although concessional loans remain important for many African countries, new forms of accumulating debt through South–South bilateral loans and sovereign bonds have risen in importance. For example, in Senegal sovereign bonds accounted for 15 per cent of

[7] For example, the World Bank and IMF.

[8] By 2014, despite Ghana's high GDP growth (14.5 per cent in 2011) the unsustainable state of the country's finances meant that the cedi had declined nearly 40 per cent against the dollar by August; and GDP growth fell to 5 per cent. Assistance from IMF enabled Ghana to launch its third Eurobond in September 2014. The issue had a 12-year maturity and raised $1 billion at 8.1 per cent, compared with 5.6 per cent, 6.6 per cent and 6.8 per cent for the 2014 issues by Côte d'Ivoire, Ethiopia and Kenya respectively, stabilizing the cedi. The bond issue was dependent on conditional IMF support, requiring cuts in public expenditure amounting to 3.5 per cent of GDP (Adams, 2015).

public external debt in 2013. Semi-concessional loans from the Government of China to Mozambique accounted for a third of its debt stock (Mecagni et al., 2014). Ghana has utilized both mechanisms to increase its debt stock indicators. While there is no immediate likelihood of widespread sovereign default, the nature and consequences of financial mismanagement should not be ignored.

14. A major challenge for Africa's policymakers is to ensure that the last decade of relative macroeconomic and fiscal stability is maintained, while continuing to build productive capacities to promote inclusive growth. Although rising, its average external debt-to-GDP ratios at 23 per cent in 2013, are moderate. These vary widely across the continent, as low as 7 per cent in Equatorial Guinea and as high as 92 per cent in Cabo Verde. A few countries such as Ghana and Senegal have witnessed a rapid increase in government gross debt ratios in recent years. However, the number of African countries evaluated as being in debt distress or at high risk of distress fell from 17 to 7 between 2006 and 2012, while the number of countries at low risk more than doubled (13) during this period (World Bank, 2014).

III. How should African countries balance the competing objectives of financing development spending and of avoiding a new round of debt crises?

15. Although debt portfolios are sustainable for most African countries, there is growing concern that a few countries may be falling back into a debt trap. As African countries increasingly access international capital markets and acquire non-concessional financing, they will need to exercise caution with regard to spiralling debt dynamics and sustainability issues, especially if global interest rates and commodity markets move in an unfavourable direction. If left unchecked, Africa's external debt may begin to impede economic growth and development in the most heavily indebted countries. Although the international community made commendable efforts towards debt relief for some African countries through the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative, reducing the debt burden and achieving debt sustainability remains a daunting challenge. However, four years after receiving assistance from the Heavily Indebted Poor Countries Initiative, eight African countries had raised public-debt-to-GDP levels. Although increased borrowing may reflect better macro fundamentals to facilitate access to global financial markets in the form of bond issuance and bilateral lending, it also raises concerns over the implications of a return to high debt levels, particularly if the new borrowing does not translate into productive investment and faster growth.

16. The World Bank-IMF Debt Sustainability Framework for Low-income Countries, which evaluates the risk of debt distress in those countries, will continue to assist progress in African debt sustainability (Barkbu et al., 2009). The Framework consists of a set of indicative policy-dependent thresholds (such as public external debt as a share of GDP and debt-service as a share of exports) against which projections of external public debt over 20 years are compared to assess the risk of debt distress.[9] The threshold for each debt burden indicator depends on a country's policy and institutional capacity, as measured by the World Bank's country policy and institutional assessment index (World Bank, 2014). Debt sustainability assessments are taken into account to determine access to IMF financing and for the design of debt limits in the IMF-supported programmes while the World Bank uses it to determine the share of grants and loans in its assistance to developing countries.

[9] The Framework analyses both external and public sector debt. Given that loans to low-income countries vary considerably in their interest rates and length of repayment, the Framework focuses on the present value of debt obligations. This ensures comparability over time and across countries.

The Framework's heavy reliance on the conservative quality of borrower countries' policies and institutions assessments and rigid ratings criteria – for example, a country could fail only one of the five debt burden indicators and still be considered in debt distress – may have reduced the potential utility of the Framework initiative for many low-income African countries (Nissanke, 2013; Berg et al., 2014). Thus, a more favourable rating for many low-income African countries could have led to more World Bank support in the form of grants, rather than loans. The Framework could also have contributed more effectively to helping many African countries balance the competing objectives of financing development spending and of avoiding a new round of debt crises (Nissanke, 2013).

17. There are also ad hoc mechanisms such as the Paris Club,[10] which can restructure debt obligations to bilateral creditors and thus help African countries balance the competing objectives of financing development spending and avoiding a new round of debt crises through greater debt sustainability. Today the world is a much more complex place in terms of international capital markets and debt sustainability than in the 1980s. For example, other developing countries have set up robust development assistance programmes, which have raised additional concerns about debt sustainability and transparency in Africa (Reisen, 2007; Strange et al., 2013). The international community is addressing the problem with an improved structure as part of wider financing for development[11] initiatives and the 2012 UNCTAD principles on promoting responsible sovereign lending and borrowing,[12] which aim to create a sustainable debt mechanism.

18. Regarding the United Nations financing for development imitative,[13] debates about this appear to be coalescing around four complementary principles for the allocation of development finance. The first emphasizes the need to expand and target international grants to the most vulnerable and least creditworthy developing countries, especially those with limited domestic resource mobilization capacities. The second concerns boosting access to the market-related finance for developing countries, particularly middle-income countries. The third relates to a new international target for market-related official finance that encourages members of the Development Assistance Committee and other developing countries to increase investment and financial support to developing countries. The fourth principle states that grant aid for climate change should target adaptation financing insofar as possible, given the magnitude of the investment challenge faced by developing countries in mitigating climate change. African countries face relatively benign global capital market conditions in the short to medium term (IMF, 2014), with excellent opportunities to tap them for much-needed infrastructure investments.

19. The UNCTAD principles on promoting responsible sovereign lending and borrowing have started to address gaps in the international financial architecture caused by a lack of institutions to promote responsible financing. The principles make clear that State officials dealing with debt – borrowing or lending – are agents of the citizenry and must adopt accountable and transparent practices. Great emphasis is also placed on the

[10] The Paris Club is a major forum where creditor countries renegotiate official sector debts, those that have been either issued, insured, or guaranteed by creditor Governments. The Paris Club includes 19 member States comprising the major international creditor Governments.

[11] The recently released zero draft of the outcome document of the Third International Conference on Financing for Development to be held in Addis Ababa in July 2015 provides a holistic and forward-looking framework and concrete actions aimed at financing sustainable development to deliver the means of implementation for the proposed sustainable development goals and a transformative development agenda.

[12] See http://www.unctad.info/upload/Debt%20Portal/Principles%20drafts/SLB_Principles_English_Doha_22-04-2012.pdf, accessed 15 April 2015.

[13] During 2015, the United Nations will convene several forums and meetings with representatives of Government and civil society from around the world to discuss how to fund the new set of sustainable development goals.

importance of promoting co-responsibility of both parties – borrowers and lenders – to resolve and prevent debt crises.

IV. Conclusions and issues for discussion

20. High public debt levels are a constraint on growth and development, although most countries' levels are relatively modest. The composition of debt in Africa may be changing, and this could have implications creating new challenges for debt sustainability in the future. Public debt-to-GDP ratios have fallen sharply since 2000; however, the steady decline in debt levels was halted by the onset of the global financial crisis of 2008–2009. A few countries, mostly fragile States, have required debt relief. From 2006 to 2012, external public and publicly guaranteed debt stocks grew faster in Africa than in the rest of the developing world. Some African countries with relatively well-developed bond markets have increased issuance of domestic bonds to finance deficits. Most African countries have maintained a reliance on external financing. The extent to which a country's current account is in deficit tends to determine its borrowing needs, hence the importance of countries adopting sound macroeconomic policies, which helps to curtail their demand for credit. Similarly, where debt is acquired, African Governments need to adopt relatively prudent debt management frameworks and policies by using effective capacity and analytical tools to enhance the prospects of debt accumulation leading to the creation of productive capacities. Debt management should be an essential element of an effective system of public finance management with transparency and accountability at its core, key elements of what is often considered best practice in development governance (UNCTAD, 2010). Certainly, efforts to maintain or acquire fiscal policy space and manage debt in Africa would benefit from macroeconomic policies based on clear fiscal rules and medium-term expenditure frameworks. Currently, international interest rates are relatively low; therefore, borrowing now may be sensible for African States if those resources finance high-yielding growth enhancing investments in physical and human capital.

21. While some countries in Africa are not burdened by their debt levels, many could find it difficult to finance larger deficits if there is a significant slowdown in the global economy or a sharp decline in commodity prices. Vulnerability to fluctuations and instability in global commodity prices remains high in Africa, and a decline in the commodity boom is a foreseeable reality. Countries should consider the creation of sovereign wealth funds, such as the Norwegian oil fund, that are managed autonomously and with independence. Additional revenue that is generated through high commodity prices could be placed in such funds during boom periods and used in times when prices fall below expectations to ensure continuity in public spending, especially in the much-needed infrastructure and social sectors, so that African commodity-dependent economies can be more resilient against the boom and bust cycle of commodity markets. Clearly, given the high degree of commodity dependence in Africa, a diversified export base is critical to making export revenues less vulnerable to major commodity price fluctuations, thus reducing resulting indebtedness that occurs as Governments try to finance budget and current account deficits through increased borrowing.

22. In particular, countries that have been recently been exposed to civil war, terrorism and Ebola are the most exposed to a debt trap, even when the most favourable concessional lending is considered. These countries, in particular those hit by the Ebola epidemic, have suffered massive economic and social losses that will require decades of investment and assistance to overcome. Concessional lending obligations pose an additional burden for these countries and could well stand in the way of their recovery. Hence, an initiative to develop effective debt work-out mechanisms for these countries should be considered as a means to assist these countries in their reconstruction and recovery. Lenders, whether multilateral, bilateral or private, need to minimize the risk of imprudent lending and the build-up of debt and contingent liabilities in Africa through the Debt Sustainability

Framework for Low-income Countries and the adoption of the principles on promoting responsible sovereign lending and borrowing.

23. Against this backdrop, the following issues have been identified to guide the panel discussion on the theme of this year's executive session of the Trade and Development Board:

(a) How should African countries balance the competing objectives of financing development spending and of avoiding a new round of debt crises?

(b) What lessons from Africa's past debt crises are of relevance to the current context?

(c) What specific measures should Africa and the international community adopt as part of the financing for development agenda to enhance debt sustainability?

(d) Given the changing composition of debt, what should African Governments, multilateral development banks and development partners do to avert the risk of another debt crisis?

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